

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
PRESQUE ISLE ELECTRIC & GAS CO-OP)	
for authority to implement a gas cost recovery plan)	Case No. U-18156
and factors for the 12-month period of April 2017)	
through March 2018 for its regulated gas division.)	
_____)	

At the May 11, 2017 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On December 28, 2016, pursuant to 1982 PA 304, MCL 460.6h *et seq.* (Act 304), Presque Isle Electric & Gas Co-op (Presque Isle) filed an application, with supporting testimony and exhibits, requesting that the Commission approve the company's gas cost recovery (GCR) plan for the 12-month period from April 1, 2017, through March 31, 2018, for its regulated gas division, and approve a GCR factor of \$0.4795 per hundred cubic feet (ccf), plus additional amounts contingent on future events.

On March 23, 2017, a prehearing conference was held before Administrative Law Judge Dennis W. Mack (ALJ). The Commission Staff (Staff) and Presque Isle participated in the proceeding. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that Presque Isle should be authorized to implement a GCR factor of \$0.4795 per ccf, subject to further adjustment as permitted by the quarterly adjustment process that the Commission approved in its August 11, 2009 order in Case No. U-15776. The parties also agree that the Commission should approve the contingent GCR factors resulting from the quarterly adjustment process (with a maximum contingent adjustment of \$0.08385 per ccf) and that this results in a maximum authorized factor of \$0.56335 per ccf. The parties further agree that Presque Isle's proposed GCR plan is reasonable and prudent and that the company's three-year forecast conforms to the requirements of Act 304. The parties also agree that, if Presque Isle applies a lower GCR factor than identified in its GCR plan, it will notify the Staff of that fact and file revised tariff sheets reflecting revised GCR factors before implementing the new rate. Finally, the parties agree that Presque Isle will continue to review storage as an option that may benefit its customers in future GCR plan submissions.

The Commission finds that the settlement agreement is reasonable and prudent, in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Presque Isle Electric & Gas Co-op's 2017-2018 gas cost recovery plan is approved as filed.
- C. Presque Isle Electric & Gas Co-op is authorized to implement a gas cost recovery factor of up to \$0.56335 per hundred cubic feet for the 12-month period ending March 31, 2018.
- D. Presque Isle Electric & Gas Co-op is authorized to adjust its gas cost recovery factor in accordance with the quarterly adjustment process approved in the August 11, 2009 order in Case No. U-15776.

E. Within 30 days of the date of this order, Presque Isle Electric & Gas Co-op shall file with the Commission tariff sheets substantially similar to those attached to the settlement agreement.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, under MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel.

Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungp1@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

By its action of May 11, 2017.

Norman J. Saari, Commissioner

Kavita Kale, Executive Secretary

Rachael A. Eubanks, Commissioner

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

**In the matter of the application of)
 PRESQUE ISLE ELECTRIC & GAS CO-OP)
 for authority to implement a gas cost)
 recovery plan and factors for the 12-month)
 period of April 2017 through March 2018)
 for its Regulated Gas Division)**

Case No. U-18156

SETTLEMENT AGREEMENT

On December 28, 2016, Presque Isle Electric & Gas Co-op (“Presque Isle”) filed an application, with supporting testimony and exhibits, for approval of a Gas Cost Recovery (“GCR”) plan and factors for the 12-month period from April 1, 2017 through March 31, 2018 for its Regulated Gas Division, and to reflect a GCR factor of \$0.4795 per hundred cubic feet (“CCF”), plus additional amounts contingent on future events.

On February 1, 2017, the Michigan Public Service Commission (“MPSC” or “Commission”) issued its Notice of Hearing. On March 23, 2017, the prehearing conference was held pursuant to the Commission’s Notice of Hearing. The Commission Staff and Presque Isle (collectively referred to herein as the “Parties”) participated in the proceeding. No other entities participated.

At the prehearing conference, presided over by Administrative Law Judge Dennis W. Mack, Presque Isle presented proof of service of the Notice of Hearing on all cities, incorporated villages, townships and counties in Presque Isle’s Michigan Regulated Gas Division service territory, and to all intervenors in Case No. U-17945, and also presented an affidavit evidencing the requisite publication of notice. The prehearing conference was

conducted as a contested case matter pursuant to the Administrative Procedures Act of 1969, 1969 PA 306, as amended, MCL 24.201 et seq.

Since the March 23, 2017 prehearing, the Parties have exchanged information regarding this issue and all other issues related to this case, and have agreed to enter into this Settlement Agreement.

In view of the foregoing, and pursuant to Section 78 of the Administrative Procedures Act of 1969, as amended (MCL 24.278) and Rule 431 of the Rules of Practice and Procedure before the Commission (R 792.10431), the Parties hereby agree as follows:

1. Presque Isle's proposed GCR plan, for the 12-month period ending March 31, 2018, and the underlying decisions therein, are reasonable and prudent and in compliance with Act 304 and should be approved by the Commission.

2. Presque Isle should be authorized to implement a GCR factor of \$0.4795 per CCF for the 12-month period ending March 31, 2018. The proposed GCR factor of \$0.4795 per CCF is further subject to adjustment as permitted by the Quarterly Adjustment Process as approved in the Commission's August 11, 2009 Order Approving Settlement in Case No. U-15776 and as requested in Presque Isle's application and supporting testimony in this case. The contingent GCR factors resulting from the Quarterly Adjustment Process (with a maximum contingent adjustment of \$0.08385 per CCF) are part of the GCR factors that the Parties are recommending for Commission approval. This results in a maximum authorized factor of \$0.56335/ccf. Presque Isle will continue to include a new tariff sheet (Sheet No. D-3.01) in its tariff book showing the actual contingent matrix applicable pursuant to this paragraph.

4. Pursuant to Sections 6h(16) and 6h(4) of Act 304, Presque Isle's three-year forecast, based on current evidence, meets the statutory mandates of Act 304 and should be accepted for filing.

5. As required by the Commission's August 11, 2009 order in Case Nos. U-15774, U-15775, and U-15776, Presque Isle presented its analysis of natural gas storage options. As a result of this analysis, Presque Isle determined that a balancing storage contract would serve to mitigate costs to its membership. Presque Isle has entered into such an agreement with DTE Energy for the GCR period and will continue to assess opportunities to use storage agreements to manage costs to its membership in future proceedings before the Commission.

6. Presque Isle's proposed tariff sheets are attached as Attachment A and should be adopted.

7. Should Presque Isle apply lesser GCR factors than those identified in its GCR plan, it shall notify the Commission Staff of that fact and file revised tariff sheets reflecting those GCR factors before implementing the new rate.

8. Each signatory hereto agrees not to appeal, challenge, or contest the rates the Commission approved in this case if they are the result of a Commission order accepting and approving this Settlement Agreement without modification. If the Commission does not accept this Settlement Agreement without modification, this Settlement Agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

9. Presque Isle and the Commission Staff jointly recommend that the Commission issue its Order Adopting Settlement Agreement.

10. This Settlement Agreement has been made for the sole and express purpose of reaching compromise among the Parties' positions without prejudice to their rights to take new and/or different positions in other proceedings. If the Commission approves this settlement agreement without modification, neither the Parties to this settlement agreement nor the Commission shall make any reference to or use of the settlement agreement or the order approving it as a reason, authority, rationale or example for taking any action or position or making any subsequent decision in this case or any other cases or proceedings; provided, however, such reference or use may be made to enforce the Settlement Agreement and Order Adopting Settlement Agreement.

11. The Parties waive Section 81 of the Administrative Procedures Act of 1969 (MCL 24.281).

12. This Settlement Agreement is not severable. Each provision of the Settlement Agreement is dependent upon all other provisions of the Settlement Agreement. Failure to comply with any provision of the Settlement Agreement constitutes failure to comply with the entire Settlement Agreement.

Dated: April 20, 2017

**Meredith R.
Beidler**

Digitally signed by Meredith R. Beidler
DN: cn=Meredith R. Beidler, o=Public
Service Division, ou=Attorney General
Dept., email=beidlerm@michigan.gov,
c=US
Date: 2017.04.20 12:01:39 -04'00'

**MICHIGAN PUBLIC SERVICE COMMISSION
STAFF**

Meredith R. Beidler (P78256)
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**Jason T.
Hanselman**

Digitally signed by Jason T.
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DN: CN = Jason T. Hanselman
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C = AD OU = Dykema Gossett
Date: 2017.04.21 15:34:35 -05'00'

Dated: April 20, 2017

**PRESQUE ISLE ELECTRIC & GAS CO-OP
Richard J. Aaron (P35605)**

Jason T. Hanselman (P61813)
DYKEMA GOSSETT PLLC
201 Townsend, Suite 900
Lansing, MI 48933
Telephone: (517) 374-9100

Exhibit A

GAS COST RECOVERY FACTORS

The listed monthly Gas Cost Recovery amounts are authorized pursuant to Commission Order in Case No. U-18156

The Actual Billed amount is the sum of the Base Price and an amount contingent on the Quarterly Adjustment (not to exceed \$0.30/ccf).

<u>Billing Month</u>	Base Price <u>\$/ccf</u>	Quarterly Adjustment <u>\$/ccf</u>	Actual Billed <u>\$/ccf</u>
April, 2017	\$0.4795		
May, 2017	\$0.4795		
June, 2017	\$0.4795		
July, 2017	\$0.4795		
August, 2017	\$0.4795		
September, 2017	\$0.4795		
October, 2017	\$0.4795		
November, 2017	\$0.4795		
December, 2017	\$0.4795		
January, 2018	\$0.4795		
February, 2018	\$0.4795		
March, 2018	\$0.4795		

Issued:
By: Brian Burns
President and CEO
Onaway, Michigan

Effective for bills rendered on and
after

Issued under authority of the MPSC
dated Case No. U-18156

**MONTHLY GAS COST RECOVERY (GCR) FACTOR
CEILING PRICE ADJUSTMENT (CONTINGENCY) MECHANISM
(Continued from Sheet No. D-3.00)**

12 Month Plan NYMEX	3.75
Base GCR Ceiling Factor	4.795
Fractional Multiplier	0.2795

NYMEX Increase	\$/mcf	NYMEX Increase	\$/mcf
<\$0.10	4.7950	<\$1.60	5.2143
<\$0.20	4.8230	<\$1.70	5.2422
<\$0.30	4.8509	<\$1.80	5.2702
<\$0.40	4.8789	<\$1.90	5.2981
<\$0.50	4.9068	<\$2.00	5.3261
<\$0.60	4.9348	<\$2.10	5.3540
<\$0.70	4.9627	<\$2.20	5.3820
<\$0.80	4.9907	<\$2.30	5.4099
<\$0.90	5.0186	<\$2.40	5.4379
<\$1.00	5.0466	<\$2.50	5.4658
<\$1.10	5.0745	<\$2.60	5.4938
<\$1.20	5.1025	<\$2.70	5.5217
<\$1.30	5.1304	<\$2.80	5.5497
<\$1.40	5.1584	<\$2.90	5.5776
<\$1.50	5.1863	<\$3.00	5.6056
		≥\$3.00	5.6335

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President and CEO
Onaway, Michigan

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